

# **Service contract for the managing director of a limited liability company**

## **Abstract**

The aim of this thesis is to identify the methods of remuneration of the managing director for the performance of his function and the related application problems of the applicable legislation. The thesis also analyses the situations in which labour law regulations shall apply to the relationship between the managing director and the limited liability company, as well as the methods of terminating a service contract. The thesis is based on the applicable Czech legislation *de lege lata*. In some parts, however, *de lege ferenda* considerations are also included. The thesis also analyzes a new legal regulation becoming effective on January 1, 2021.

This thesis presupposes an earlier knowledge of elementary concepts related to the issue of a service contract for the managing director and legal institutes related to the subject matter in hand. Thus, the thesis intentionally does not analyze the elementary institutes in detail and does not provide their detailed definitions, but it focuses on their enrichment with relevant case law, more detailed specifications in terms of practical situations and its own analysis. This is the case especially in the second chapter, and the description of the service contract itself. This chapter is the starting point of the thesis, which is logically followed by the next chapters.

The next chapter of the thesis focuses on the issue of remuneration of the managing director in the service contract, from several points of view. This part analyzes the presumption of free of charge performance of the function, as well as the legal exceptions to this free of charge performance of the function. Furthermore, this part deals with the institutes of *malus* and *clawback*.

The fourth part of this thesis analyses the options under which it is possible to apply the labour law provisions to the performance of the executive function. Although it is not legally possible to simulate the relationship between a managing director and a limited liability company as an employee-employer relationship, the performance of the function may be assessed according to labour law rules in some respects. In this part of the thesis, I focus in more detail on the institutes of travel allowances, the participation of the managing director in the social insurance system and executive's time off.

The last part of the thesis is focused on the analysis of possible ways of termination of the service contract. This part deals mainly with the termination of the service contract by agreement and with a unilateral termination.

This thesis, in its entirety, deals with problems that are often encountered in practice when concluding performance contracts. It also points out aspects that are not addressed in legal literature. For this reason, this thesis puts more emphasis on the decision-making practice of the Czech courts, as the conclusions drawn from it, lead to a comprehensive interpretation of the subject matter.